

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC.)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
MAUI ELECTRIC COMPANY, LIMITED)

DOCKET NO. 94-0316

For Approval of Recovery of 1995)
IRP Planning Costs Through Each)
Company's IRP Cost Recovery)
Provision)

In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC.)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
MAUI ELECTRIC COMPANY, LIMITED)

DOCKET NO. 95-0362

For Approval of Recovery of 1996)
IRP Planning Costs Through Each)
Company's IRP Cost Recovery)
Provision)

In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC.)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
MAUI ELECTRIC COMPANY, LIMITED)

DOCKET NO. 96-0431

For Approval of Recovery of 1997)
IRP Planning Costs Through Each)
Company's IRP Cost Recovery)
Provision)

In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC.)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
MAUI ELECTRIC COMPANY, LIMITED)

DOCKET NO. 97-0358

For Approval of Recovery of 1998)
IRP Planning Costs Through Each)
Company's IRP Cost Recovery)
Provision)

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DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC.)

HAWAII ELECTRIC LIGHT COMPANY, INC.)

MAUI ELECTRIC COMPANY, LIMITED)

)

For Approval of Recovery of 1999)

IRP Planning Costs Through Each)

Company's IRP Cost Recovery)

Provision)

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DOCKET NO. 98-0339

(CONSOLIDATED)

DECISION AND ORDER

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PUBLIC UTILITIES
COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC.)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
MAUI ELECTRIC COMPANY, LIMITED)

Docket No. 94-0316

For Approval of Recovery of 1995)
IRP Planning Costs Through Each)
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In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC.)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
MAUI ELECTRIC COMPANY, LIMITED)

Docket No. 95-0362

For Approval of Recovery of 1996)
IRP Planning Costs Through Each)
Company's IRP Cost Recovery)
Provision)

In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC.)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
MAUI ELECTRIC COMPANY, LIMITED)

Docket No. 96-0431

For Approval of Recovery of 1997)
IRP Planning Costs Through Each)
Company's IRP Cost Recovery)
Provision)

In the Matter of the Application of)

HAWAIIAN ELECTRIC COMPANY, INC.)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
MAUI ELECTRIC COMPANY, LIMITED)

Docket No. 97-0358

For Approval of Recovery of 1998)
IRP Planning Costs Through Each)
Company's IRP Cost Recovery)
Provision)

In the Matter of the Application of)
HAWAIIAN ELECTRIC COMPANY, INC.)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
MAUI ELECTRIC COMPANY, LIMITED)
For Approval of Recovery of 1999)
IRP Planning Costs Through Each)
Company's IRP Cost Recovery)
Provision)

Docket No. 98-0339

(Consolidated)

DECISION AND ORDER

By this Decision and Order, the commission approves HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO") and MAUI ELECTRIC COMPANY, LIMITED's ("MECO") (collectively, "Applicants") recovery of their 1997, 1998, and 1999 integrated resource plan ("IRP") planning costs, to the extent described herein.

I.

Background

A.

Applications

On November 1, 1994, Applicants filed an Application for Approval of Recovery of 1995 IRP Planning Costs Through Each Company's IRP Cost Recovery Provision in which they requested commission approval of their budgets for 1995 IRP planning costs and the subsequent recovery of those costs. Applicants requested approval of: (1) HECO's annual, incremental 1995 IRP budget, estimated to be \$1,462,111 and subsequent recovery of its 1995 IRP planning costs actually spent in 1995; (2) HELCO's

annual, incremental 1995 IRP budget, estimated to be \$710,954, and subsequent recovery of its 1995 IRP planning costs actually spent in 1995; and (3) MECO's annual, incremental 1995 IRP budget, estimated to be \$1,472,367, and subsequent recovery of its 1995 IRP planning costs actually spent in 1995.

On December 1, 1995, Applicants filed an Application for Approval of Recovery of 1996 IRP Planning Costs Through Each Company's IRP Cost Recovery Provision in which they requested commission approval of their budgets for 1996 IRP planning costs and the subsequent recovery of those costs. Specifically, Applicants requested approval of: (1) HECO's annual, incremental 1996 IRP budget, estimated to be \$1,583,082 and subsequent recovery of its 1996 IRP planning costs actually spent in 1996; (2) HELCO's annual, incremental 1996 IRP budget, estimated to be \$887,254, and subsequent recovery of its 1996 IRP planning costs actually spent in 1996; and (3) MECO's annual, incremental 1996 IRP budget, estimated to be \$1,357,651, and subsequent recovery of its 1996 IRP planning costs actually spent in 1996.

On November 1, 1996, Applicants filed an Application for Approval of Recovery of 1997 Integrated Resource Planning Costs Through Each Company's IRP Cost Recovery Provision in which they requested commission approval of their budgets for 1997 IRP planning costs and the subsequent recovery of those costs. Specifically, Applicants requested approval of: (1) HECO's annual, incremental 1997 IRP budget, estimated to be \$1,097,735 and subsequent recovery of its 1997 IRP planning costs actually spent in 1997; (2) HELCO's annual, incremental 1997 IRP budget,

estimated to be \$1,089,824, and subsequent recovery of its 1997 IRP planning costs actually spent in 1997; and (3) MECO's annual, incremental 1997 IRP budget, estimated to be \$618,916, and subsequent recovery of its 1997 IRP planning costs actually spent in 1997.

On October 1, 1997, Applicants filed an Application for Approval of Recovery of 1998 Integrated Resource Planning Costs Through Each Company's IRP Cost Recovery Provision in which they requested commission approval of their budgets for 1998 IRP planning costs and the subsequent recovery of those costs. Specifically, Applicants requested approval of: (1) HECO's annual, incremental 1998 IRP budget, estimated to be \$608,083 and subsequent recovery of its 1998 IRP planning costs actually spent in 1998; (2) HELCO's annual, incremental 1998 IRP budget, estimated to be \$933,263, and subsequent recovery of its 1998 IRP planning costs actually spent in 1998; and (3) MECO's annual, incremental 1998 IRP budget, estimated to be \$859,950, and subsequent recovery of its 1998 IRP planning costs actually spent in 1998.

On October 1, 1998, Applicants filed an Application for Approval of Recovery of 1999 Integrated Resource Planning Costs Through Each Company's IRP Cost Recovery Provision in which they requested commission approval of their budgets for 1999 IRP planning costs and the subsequent recovery of those costs. Specifically, Applicants requested approval of: (1) HECO's annual, incremental 1999 IRP budget, estimated to be \$450,770 and subsequent recovery of its 1999 IRP planning costs actually spent

in 1999; (2) HELCO's annual, incremental 1999 IRP budget, estimated to be \$475,879, and subsequent recovery of its 1999 IRP planning costs actually spent in 1999; and (3) MECO's annual, incremental 1999 IRP budget, estimated to be \$608,638, and subsequent recovery of its 1999 IRP planning costs actually spent in 1999.¹

B.

Applicants' IRP Planning Expenditures

1.

1995 IRP Planning Expenditures

On March 29, 1996, Applicants filed an accounting of their recorded 1995 IRP planning costs in which HECO reported 1995 IRP expenditures of \$953,994. HELCO reported \$656,222 in 1995 IRP expenditures and MECO reported \$1,126,116 in 1995 IRP expenditures.

¹Applicants served copies of the applications on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), an ex officio party to this docket, pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62. Applicants also served a copy of the Application on the Department of Navy on behalf of the United States Department of Defense ("DOD"), who had moved to intervene, and had become a party to Applicants' previous IRP planning costs dockets. DOD, however, did not move to intervene in these dockets, and thus is not a party to these dockets. See Order No. 17983, filed on August 25, 2000, at 2 n.1. Accordingly, Applicants and the Consumer Advocate are collectively referred to as the "Parties."

2.

1996 IRP Planning Expenditures

On March 31, 1997, Applicants filed an accounting of their recorded 1996 IRP planning costs in which HECO reported 1996 IRP expenditures of \$714,965 (\$868,117 less than the \$1,583,082 amount budgeted, as stated in the application). HELCO reported \$551,012 in 1996 IRP expenditures (\$336,242 less than the \$887,254 amount budgeted, as stated in the application) and MECO reported \$579,623 in 1996 IRP expenditures (\$778,028 less than the \$1,357,651 amount budgeted in the application).

By letter dated December 17, 1999, HECO revised its 1996 IRP planning costs downward by \$50,367 to remove invoices indirectly coded to IRP planning. As such, HECO revised its 1996 IRP expenditures for which it seeks cost recovery from \$714,965 to \$664,598.

3.

1997 IRP Planning Expenditures

On March 31, 1998, Applicants filed an accounting of their recorded 1997 IRP planning costs in which HECO reported 1997 IRP expenditures of \$860,347 (\$237,388 less than the \$1,097,735 amount budgeted, as stated in the application). HELCO reported \$801,775 in 1997 IRP expenditures (\$288,049 less than the \$1,089,824 amount budgeted, as stated in the application) and MECO reported \$538,559 in 1997 IRP expenditures (\$80,357 less than the \$618,916 amount budgeted in the application).

By letter dated December 17, 1999, HECO revised its 1997 IRP planning costs downward by \$9,041 to remove invoices indirectly coded to IRP planning. As such, HECO revised its 1997 IRP expenditures for which it seeks cost recovery from \$860,347 to \$850,946.

4.

1998 IRP Planning Expenditures

On March 31, 1999, Applicants filed an accounting of their recorded 1998 IRP planning costs in which HECO reported 1998 IRP expenditures of \$181,646 (\$426,437 less than the \$608,083 amount budgeted, as stated in the application). HELCO reported \$590,689 in 1998 IRP expenditures (\$342,574 less than the \$933,263 amount budgeted, as stated in the application) and MECO reported \$763,455 in 1998 IRP expenditures (\$96,495 less than the \$859,950 amount budgeted in the application).

By letter dated April 30, 1999, HECO revised its 1998 IRP planning costs downward by \$1,247 to remove invoices indirectly coded to IRP planning. As such, HECO revised its 1998 IRP expenditures for which it seeks cost recovery from \$181,646 to \$180,399.

By letter dated November 10, 1999, HECO revised its 1998 IRP planning costs downward by \$20,387 and MECO revised its 1998 IRP planning costs downward by \$460. As such, HECO revised its 1998 IRP expenditures for which it seeks cost recovery from \$180,399 to \$160,012; and MECO revised its 1998 IRP expenditures for which it seeks cost recovery from \$763,455 to \$762,955.

5.

1999 IRP Planning Expenditures

On March 31, 2000, Applicants filed an accounting of their recorded 1999 IRP planning costs in which HECO reported 1999 IRP expenditures of \$141,633 (\$309,137 less than the \$450,770 amount budgeted, as stated in the application). HELCO reported \$246,352 in 1999 IRP expenditures (\$229,527 less than the \$475,879 amount budgeted, as stated in the application) and MECO reported \$604,518 in 1999 IRP expenditures (\$4,120 less than the \$608,638 amount budgeted in the application).

C.

Stipulation

On July 17, 2000, the Parties² filed a Stipulation Regarding Hearing and Commission Approval ("Stipulation") in which the Parties note that Applicants had filed their 1995, 1996, 1997, 1998 and 1999 IRP planning costs budgets. To minimize the accrual of interest on unrecovered 1995-1999 IRP planning costs while the Consumer Advocate was undertaking discovery to ascertain the reasonableness of those costs, the Parties stipulated to the following:

(1) the Parties do not request an evidentiary hearing in the IRP planning costs dockets;

(2) the Parties do not object to commission approval of Applicants' proposed budgets for 1995-1999 IRP planning costs;

²The DOD was also a party to the Stipulation. However, as noted supra, the DOD is not a party to this docket. See Order No. 17983, filed on August 25, 2000, at 2 n.1.

(3) the Parties do not object to the immediate recovery of HECO's recorded 1995-1999 IRP planning costs, as revised, over a twelve-month period pending issuance of the commission's final decision and order on the matter;

(4) the Parties do not object to the immediate recovery of HELCO and MECO's recorded 1995 and 1996 IRP planning costs, as revised, over a twelve-month period, and the recovery of HELCO and MECO's recorded 1997-1999 IRP planning costs, as revised, over a succeeding twelve-month period following the recovery of the revised 1995 and 1996 IRP planning costs pending issuance of the commission's final decision and order on the matter;

(5) Applicants will refund to their customers, with interest at the rate applicable to deferred IRP planning costs, any previously recovered IRP planning costs subsequently disallowed by the commission in its final decision and order in these proceedings;

(6) the Parties will work expeditiously to complete their respective discovery in Docket No. 94-0316 (1995 IRP planning costs), Docket No. 95-0362 (1996 IRP planning costs), Docket No. 96-0431 (1997 IRP planning costs), Docket No. 97-0358 (1998 IRP planning costs), and Docket No. 98-0339 (1999 IRP planning costs) and issue statements of position on the reasonableness of Applicants' 1995-1999 IRP planning costs to facilitate the commission's rendering of its final decision and order in these proceedings;

(7) Applicants will perform a reconciliation of the amounts recovered with the actual IRP planning costs proposed to

be recovered and adjust any over/under collection in the following year; and

(8) the Parties do not waive their right to request reconsideration of, or appeal from, the commission's final decision and orders.

D.

Order No. 17983

By Order No. 17983, filed on August 25, 2000 ("Order No. 17983"), the commission approved the proposed agreements and conditions of the Stipulation, and incorporated the terms and conditions of the Stipulation into the order.

As an initial matter, Order No. 17983 consolidated Applicants' separate requests for approval of their 1995, 1996, 1997, 1998 and 1999 IRP planning costs budgets in Docket Nos. 94-0316, 95-0362, 96-0431, 97-0358, and 98-0339, respectively.

Order No. 17983 also approved the proposed IRP budgets for Applicants' 1995-1999 IRP planning costs, as described in the applications filed in Docket Nos. 94-0316, 95-0362, 96-0431, 97-0358, and 98-0339, subject to the agreements and conditions set forth in the Stipulation. Applicants were allowed to immediately commence recovery of their recorded 1995-1999 IRP planning costs (including interest on deferred costs and associated revenue taxes), as revised, using their IRP cost recovery provisions, subject to the agreements and conditions set forth in the Stipulation and in Order No. 17983. However,

Applicants' recovery of their recorded IRP planning costs was subject to refund, pending further review and the issuance of the commission's final decision and order.³

E.

1995 and 1996 IRP Cost Recovery

By Decision and Order No. 23160, filed on December 27, 2006, the commission approved recovery of Applicants' 1995 IRP planning costs. In its decision and order, the commission addressed three general concerns raised by the Consumer Advocate related to: 1) the classification of demand-side management ("DSM") program costs as IRP general planning costs; 2) the treatment of incremental IRP labor costs where positions in the most recent rate case are vacant; and 3) the inconsistent classification of cost items and cost tracking issues. The commission also resolved seventeen (17) specific concerns the Consumer Advocate had with the proposed cost recovery of certain expenditures. The commission, however, deferred the issue of refund pending completion of the remaining four IRP cost recovery dockets that were consolidated in this proceeding.

Thereafter, by Decision and Order No. 23274, filed on February 23, 2007, the commission approved Applicants' recovery of their 1996 IRP planning costs, and consistent with Decision and Order No. 23160, deferred the issue of refund pending completion of the remaining three IRP cost recovery dockets

³Order No. 17983 at 6.

(Docket Nos. 96-0431, 97-0358, 98-0339) that were consolidated in this proceeding).

II.

Discussion

A.

1997, 1998, and 1999 IRP Cost Recovery

By Decision and Order No. 11523, filed on March 12, 1992, in Docket No. 6617 (as amended by Decision and Order No. 11630, filed on May 22, 1992), the commission established a Framework for Integrated Resource Planning ("IRP Framework") and ordered Applicants to develop IRP plans in accordance with the IRP Framework.

Section II.B.7 of the IRP Framework provides, in relevant part, that utilities are "entitled to recover all appropriate and reasonable integrated resource planning and implementation costs." Section III.F.1 of the IRP Framework provides, in relevant part, that a utility "is entitled to recover its integrated resource planning and implementation costs that are reasonably incurred, including the costs of planning and implementing pilot and full-scale demand-side management programs."

As described by the commission:

Integrated resource planning costs appear to fall into at least two major categories: (1) the costs of planning and (2) the costs of implementing particular options. The costs of planning include those associated with the development of the framework for planning and those associated with the planning process.

Included in these costs are the costs of data gathering, development of models, and research and development of options in meeting the demand for energy. The costs of implementing particular options include the costs of particular programs or projects selected to satisfy the demand for energy.

With respect to the first category of costs, we will require HECO to develop an annual budget of the costs it proposes to include in the IRP clause. HECO shall submit this budget to the commission for approval. The utility shall also furnish the commission with an accounting of expenditures and a report on the variance between the budget and actual expenditures before any cost is included in the IRP clause. With respect to the second category of costs, we will require HECO to present its proposed program or project to the commission for prior approval, together with information concerning the expenses expected to be incurred, in much the same manner as it is required to do, under General Order No. 7, rule 2.3.g.2, for proposed capital expenditures in excess of \$500,000.

Although we approve the establishment of an IRP clause, we retain the authority to determine whether any particular cost or expense may be recovered through the clause. The IRP clause may not be the proper mechanism for the recovery of all integrated resource planning costs. Particularly with respect to program or project costs, legitimate questions may be raised as to whether such costs should be recovered through an IRP clause or whether they should be included in HECO's rate base. The commission retains the authority to make that determination on a case-by-case basis.

Decision and Order No. 11317, filed on October 17, 1991, in Docket No. 6531, at 210-11.

1.

1997 IRP Planning Costs

In its Amended Statement of Position for Docket No. 96-0431, filed on November 1, 2000, the Consumer Advocate

recommended that Applicants' request be reduced by \$503,022 for HECO, \$226,990 for HELCO, and \$107,232 for MECO such that Applicants would be allowed to recover 1997 IRP planning costs of \$347,924 for HECO, \$574,785 for HELCO, and \$431,327 for MECO.

According to the Consumer Advocate, it had three general concerns with Applicants' 1997 IRP planning expenditures, which it raised in its statements of position filed in the 1995 and 1996 IRP cost recovery dockets (Docket Nos. 94-0316 and 95-0362): 1) that Applicants' 1997 IRP planning expenditures included "non-incremental planning costs," i.e., "costs for activities that are or should be performed during the normal course of planning regardless of the IRP framework requirements"; 2) that Applicants were attempting to recover costs for items or services with corporate applications other than IRP planning; and 3) that DSM related costs⁴ were included in Applicants' 1997 cost recovery request. Attachment I to the Consumer Advocate's Amended Statement of Position contained a chart listing twenty-three (23) cost items that the Consumer Advocate recommended disallowing.

In their response to the Consumer Advocate's statement of position filed on February 28, 2001, Applicants maintained that their 1997 IRP planning costs were reasonable, incremental IRP planning costs for which commission approval is warranted. With regard to the Consumer Advocate's recommended reductions,

⁴The Consumer Advocate, however, did not recommend that the DSM costs be removed from the 1997 request; only that Applicants incorporate those costs within their cost-benefit analysis of each DSM program in determining effectiveness, shareholder incentives and lost gross margins.

Applicants agreed to a reduction of \$1,691 for HECO and \$590 for HELCO, and accordingly, revised their IRP cost recovery requests to \$849,255 for HECO and \$801,185 for HELCO.

Attached as Exhibit A to Applicants' response is the Consumer Advocate's chart of its twenty-three (23) recommended reductions to Applicants' 1997 IRP planning costs. Utilizing the Consumer Advocate's chart in Exhibit A, Applicants responded to the Consumer Advocate's twenty-three (23) recommended reductions in Exhibit C to Applicants' response. In doing so, Applicants divided the Consumer Advocate's recommended reductions into four separate categories and provided a brief response to each category of recommended reductions referencing their response to the Consumer Advocate's statement of position on 1996 IRP planning costs in Docket No. 95-0362.

The commission has since resolved Applicants' entitlement to 1996 IRP planning costs in Decision and Order No. 23274. Accordingly, consistent with Decision and Order No. 23274, the commission will allow recovery for the Proscreen-related costs in Category One (CA Item Nos. 1, 2, and 4);⁵ the costs related to a supply-side resource options study in Category Two (CA Item Nos. 6 and 9);⁶ and the sales forecasting expenses in Category Three (CA Item Nos. 3, 10, 11, and 12).⁷

⁵Decision and Order No. 23274, at 16-18; see also Decision and Order No. 23160, at 29-30.

⁶Decision and Order No. 23274, at 18-19.

⁷Decision and Order No. 23274, at 23; see also Decision and Order No. 23160, at 26-28.

With respect to the fourth category related to "Other Expenses," HECO does not provide any description as to particular line items, referring only to their response to the Consumer Advocate's statement of position on 1996 IRP planning costs in Docket No. 95-0362. That type of response was acceptable for the first three categories as it is fairly obvious that certain expenditures relate to particular costs that the commission approved in Decision and Order No. 23274. With respect to the "Other Expenses," however, the commission requires more information. For example, Applicants' response to CA Item Nos. 7 and 8 relating to mainland training do not appear to contain any explanation as to the type of training involved. While the commission previously approved expenditures related to mainland training in Decision and Order No. 23274, such approval was on a more complete record supported by Applicants' response in that instance. The commission declines to approve such expenditures here where Applicants have not provided sufficient description of the type of training that was involved.

Also, with respect to CA Item Nos. 13, 19, 20, and 21, relating to membership fees, the commission denies recovery of those costs consistent with Decision and Order No. 23274.⁸ The only item that the commission will allow in the "Other Expenses" category is CA Item No. 22 as it appears that the commission

⁸Decision and Order No. 23274, at 25; see also Decision and Order No. 23160, at 36-37.

approved that type of expenditure in Decision and Order No. 23160.⁹

Finally, although not specifically included by Applicants in any particular category of cost items, the commission will allow recovery by HECO for CA Item No. 5, which Applicants assert was related to a National Economic Research Association ("NERA") study on potential impacts of alternative IRP scenarios.

2.

1998 IRP Planning Costs

In its Amended Statement of Position for Docket No. 97-0358, filed on November 1, 2000, the Consumer Advocate recommended that Applicants' request be reduced by \$99,452 for HECO, \$71,177 for HELCO, and \$121,231 for MECO such that Applicants would be allowed to recover 1998 IRP planning costs of \$60,560 for HECO, \$519,512 for HELCO, and \$641,764 for MECO.

As with prior dockets, the Consumer Advocate had three general concerns with Applicants' 1998 IRP planning expenditures: 1) that Applicants' 1998 IRP planning expenditures included "non-incremental planning costs," i.e., "costs for activities that are or should be performed during the normal course of planning regardless of the IRP framework requirements"; 2) that Applicants were attempting to recover costs for items or services with corporate applications other than IRP planning; and 3) that DSM related costs were included in Applicants' 1998 cost recovery

⁹Decision and Order No. 23160, at 41-42.

request. Attachment I to the Consumer Advocate's statement of position contained a chart listing fifteen (15) cost items that the Consumer Advocate recommended disallowing.

In their response to the Consumer Advocate's statement of position filed on February 28, 2001, Applicants maintained that their 1998 IRP planning costs were reasonable, incremental IRP planning costs for which commission approval is warranted. Attached as Exhibit A to Applicants' response is the Consumer Advocate's chart of its fifteen (15) recommended reductions to Applicants' 1998 IRP planning costs. As with prior dockets, utilizing the Consumer Advocate's chart, Applicants responded to the Consumer Advocate's recommended reductions in Exhibit B to Applicants' response. In doing so, Applicants divided the Consumer Advocate's recommended reductions into four separate categories and provided a brief response to each category of recommended reductions referencing their response the Consumer Advocate's statement of position on 1996 IRP planning costs in Docket No. 95-0362.

As noted above, the commission has since resolved Applicants' entitlement to 1996 IRP planning costs in Decision and Order No. 23274, and will treat Applicants 1998 costs consistently with its decision on 1996 IRP costs. As such, the commission will allow recovery for the Proscreen-related costs in Category One (CA Item Nos. 1, 9, 11, and 15);¹⁰ the costs related to a supply-side resource options study in Category Two (CA Item

¹⁰Decision and Order No. 23274, at 16-18; see also Decision and Order No. 23160, at 29-30.

Nos. 10 and 14);¹¹ and the sales forecasting expenses in Category Three (CA Item Nos. 3, 4, 5, 6, 7, and 8).¹²

With respect to HECO's fourth category, "Other Expenses," the commission will allow recovery for CA Item No. 2 and CA Item No. 13 related to the NERA study addressed with respect to 1997 IRP cost recovery and a biomass energy power plant resource study, respectively. The commission, however, will disallow CA Item No. 12 relating to membership fees, consistent with Decision and Order No. 23274.¹³

In sum, the commission approves the cost items identified by the Consumer Advocate with the exception of CA Item No. 12.

3.

1999 IRP Planning Costs

In its Amended Statement of Position for Docket No. 98-0339, filed on March 20, 2003, the Consumer Advocate recommended that Applicants' request be reduced by \$106,455 for HECO, \$45,764 for HELCO, and \$163,362 for MECO such that Applicants would be allowed to recover 1999 IRP planning costs of \$35,178 for HECO, \$200,588 for HELCO, and \$441,156 for MECO.

As with previous statements of position, the Consumer Advocate articulated three general concerns: 1) that

¹¹Decision and Order No. 23274, at 18-19.

¹²Decision and Order No. 23274, at 23; see also Decision and Order No. 23160, at 26-28.

¹³Decision and Order No. 23274, at 25; see also Decision and Order No. 23160, at 36-37.

Applicants' 1999 IRP planning expenditures included "non-incremental planning costs"; 2) that Applicants were attempting to recover costs for items or services with corporate applications other than IRP planning; and 3) that DSM related costs were included in Applicants' 1999 cost recovery request. Attachment I to the Consumer Advocate's statement of position¹⁴ contained a chart listing fifteen (15) cost items that the Consumer Advocate recommended disallowing.

In their response to the Consumer Advocate's statement of position filed on April 21, 2003, Applicants maintained that their 1999 IRP planning costs were reasonable, incremental IRP planning costs for which commission approval is warranted. Applicants, however, agreed to a reduction of \$459 for HELCO (for CA Item No. 10).

Consistent with previous commission decisions and as noted above, the commission will allow recovery for the Strategist-related costs (formerly Proscreen); the costs related to supply-side resource consultant expenses; sales forecasting expenses; and DSM program planning expenses (with the exception of CA Item No. 10, which Applicants have withdrawn). Accordingly, the commission declines to disallow any of the cost items identified by the Consumer Advocate (except for CA Item No. 10).

¹⁴Attachment I was inadvertently omitted from the Consumer Advocate's statement of position and was subsequently provided to the commission by letter dated March 21, 2003.

B.

Refund

By Order No. 17983, Applicants are required to refund to their customers, with interest at the rate applicable to deferred IRP planning costs, any previously recovered IRP planning costs subsequently disallowed by the commission in its final decision and order in these proceedings.

In issuing its decisions with regard to 1995 and 1996 IRP cost recovery, the commission deferred any decision on refund until decisions were made on the remaining three IRP cost recovery dockets that were consolidated in this proceeding (1997, 1998, and 1998 IRP cost recovery).

Since the commission has now resolved the cost recovery issues in this consolidated docket, Applicants shall confer with the Consumer Advocate for the purpose of discussing and reaching consensus on a refund plan that is consistent with the public interest; and shall file with the commission a refund plan within sixty (60) days of the date of this Decision and Order.¹⁵

III.

Orders

THE COMMISSION ORDERS:

1. Applicants are allowed to recover their 1997, 1998, and 1999 IRP planning costs to the extent described herein.

¹⁵The refund plan should consider the outstanding IRP cost recovery dockets (Docket Nos. 99-0338, 00-0360, 01-0409, 02-0359, 03-0276, and 04-0295).

2. Within sixty (60) days from the date of this Decision and Order, Applicants shall file a refund plan for the commission's review and approval.

DONE at Honolulu, Hawaii OCT - 9 2008.


PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
John E. Cole, Commissioner

By 
Leslie H. Kondo, Commissioner

APPROVED AS TO FORM:


Stacey Kawasaki Djou
Commission Counsel

94-0316, 95-0362, 96-0431, 97-0358, 98-0339 (Consolidated).cp

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

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